The Global Compact:
An organizational innovation to realize UN Principles

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Abstract

The United Nations was established to prevent war, promote human rights, support justice and international order, and promote social progress. Its broad strategy is represented in its inter-governmental secretariat-based structures. In order to supplement traditional implementing agencies, in 2000 it launched the UN Global Compact to promote the alignment of business action with the UN's universal principles. In doing so, the UN was at the vanguard, creating a new form of network-based organization. Such organizations are called Global Action Networks (GANs). GANs are multi-stakeholder change networks that are addressing critical global issues. Understanding and supporting the distinctiveness of the UN Global Compact is critical to realizing its full potential. To deepen understanding of how to work effectively with the UNGC, this paper looks at the Compact first through the framework of GANs strategic characteristics, and second through its distinctive operating logics.

Introduction

The United Nations arose from the ashes of the Second World War with a broad mission to improve the lot of the world's inhabitants. The parties committing to this mission were national governments.

At that time national governments were clearly the supreme organizational entities. This position arose from their leadership in the war effort and the willing submission of business and civil society organizations to make the war effort primary and their own interests secondary. Throughout much of the world business was destroyed, both through the war and through the preceding catastrophic decade of depression. Civil society organizations, consisting mainly of religious, labor and relief organizations, were largely overshadowed by the power of government.

> **Box 1: We the peoples of the United Nations determined**
>
> - to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind, and
>
> - to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small, and
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> - to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained, and
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> - to promote social progress and better standards of life in larger freedom,
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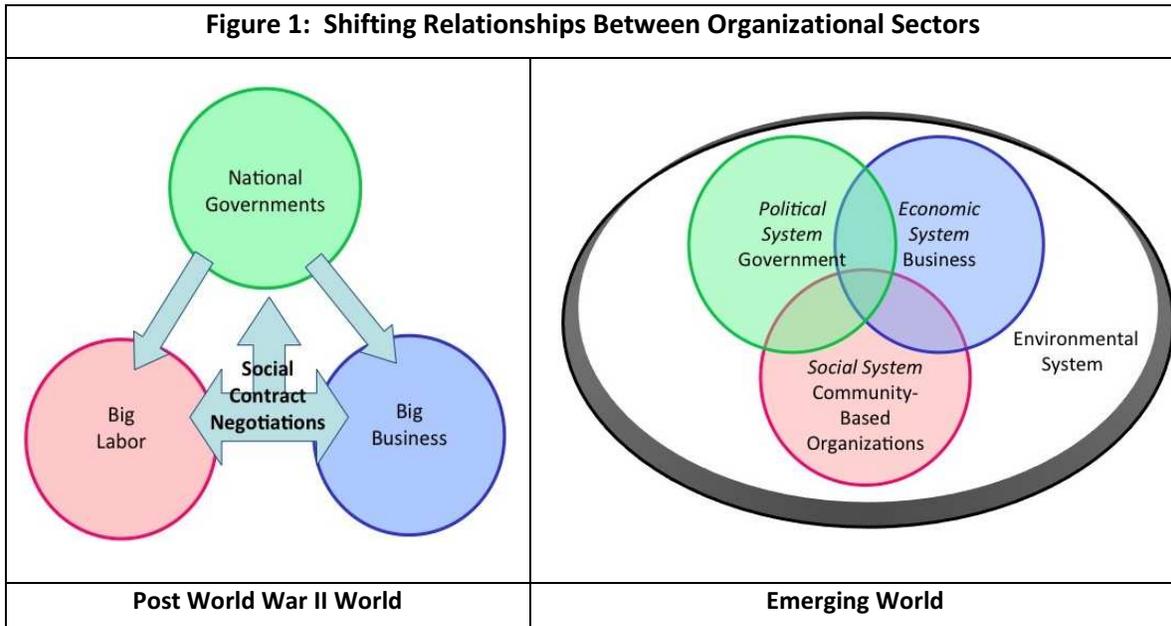> *- Preamble of the Charter of the United Nations*

Fifty-five years later at the turn of the millennium, the world had survived many minor wars and the all-consuming Cold War. The role of government had greatly changed. Governments' share of the GNP had greatly declined from the abnormal Second World War years. However, there was broad acceptance that governments have a greatly expanded role compared to before the War, summarized as the "welfare state". Globally, the stage was much more complicated with a great expansion of the number of governments first through decolonization and second through the end of the Cold War.

By this time, the big labor-big business-big government social contract negotiating model that arose in the Western world out of World War II had been in steep decline for thirty years. The dominance of civil society by labor was overwhelmed by a multitude of new non-governmental organizations (NGOs), including environmental, community development, research, human rights, and humanitarian ones. National markets and businesses had broadly expanded into global ones, with greatly reduced ability of national governments to influence their actions. Moreover, there was new recognition of human behavior pushing against boundaries of the natural environment.

Figure 1: Shifting Relationships Between Organizational Sectors

| Post World War II World | Emerging World |

This shift is depicted in Figure 1. It suggests that rather than government being seen and being treated as "in charge" as after World War II, in the emerging world government is one of more nuanced interaction between four critical systems. The healthy functioning of these systems is key for a healthy world. They interact increasingly in overlapping areas in the form of partnerships and collaborations to address complex issues beyond the resources and competencies of any one type of organization.

This means that by the turn of the millennium, the work of the UN was much more complicated than when it was formed. The number of member states had grown enormously, as had expectations. The UN had grown into a network of associated implementing agencies, including the UNEP, UNIDO, UNDP, UNESCO, FAO and WHO. Moreover, new forms of business-government-civil society collaboration were emerging to mobilize the needed resources and skills to address critical issues. An additional approach was to create new modalities to give life to the UN's Mission. All this was behind the presentation by the Secretary-General of the idea of the Global Compact at the 1999 World Economic Forum.

The Global Compact was launched in 2000 as an innovative strategy, with the mission to create a new space specifically aimed at influencing business to align its activities with UN's Principles. While embedded within the UN, the UNGC strategy aimed to build on learning of the previous decade about the power of multi-stakeholder collaborative action. Some of this knowledge was the basis of a 1999 report titled *Critical Choices: The United Nations, networks, and the future of global governance.* The report was the product of the "UN Vision

Project" sponsored by the UN Foundation and others, to provide strategic guidance to assist the United Nations on its global role at the turn of the Millennium.

The report's suggestion about the potential for multi-stakeholder networks to address critical global issues inspired further research and analysis of such networks. It led to the coining in 2003 by Steve Waddell of the term "Global Action Networks" (GANs). GANs are *are multi-stakeholder change networks that are addressing critical global issues.* . Among the networks analysed in this way as a GAN was the UNGC. (Waddell 2004)

Today GANs are presented as an institutional innovation that, through the UNGC, the UN has had leadership in developing. Almost all the GANs have developed since the end of the Cold War. They are seen to be as different from business, as business is from civil society and as both of those are from government. (Waddell 2004; Waddell and Khagram 2007; Glasbergen 2010; Waddell 2011)There are a couple of dozen GANs of significant size. They organize around specific issues, usually indicated by their name. They include the Forest Stewardship Council, Transparency International, the Global Reporting Initiative, the Principles for Responsible Investment, IUCN, the Global Fund to Fight AIDS, Malaria and Tuberculosis, the International Land Coalition and the Fair Labor Association.

Table 1: Some Comparative Distinctive Attributes of the Sectors (Adapted from (Waddell 2005) p. 83)				
	State Sector	**Market Sector**	**Civil Society Sector**	**GANs**
Primary concern	Political systems	Economic systems	Social systems	Systems harmonization globally
Control unit	Voters/rulers	Owners	Members	Participants
Primary power form	Laws, police, fines	Money	Traditions, values	Leadership reputation
Primary goals	Societal order	Wealth creation	Healthy communities	Systemic change
Assessment frame	Legality	Profitability	Justice	Sustainability
Goods produced	Public	Private	Group	Collaborative
Dominant legal form	Governmental	Forprofit	Nonprofit	In development
Operating frame	Administrative	Managerial	Developmental	Action learning
Relationship basis	Rules	Transactions	Values	Mutual respect
Temporal Framework	Election cycles	Profit-reporting/business cycles	Lifetimes	All sectors' frames
Geographic Framework	Nations	Markets	Communities of interest	Glocal

Table 1 aims to clarify the distinction of GANs as an organizational innovation. Understanding GANs generally and the UNGC in particular as this scale of organizational

innovation is critical if they are to develop to their capacity. Otherwise, they will continually be inappropriately judged and their development misdirected so they will fail. Without that understanding, those working with them will try to make them "more like a business", treat them as a government agency, or interact with them as if they are NGOs and their governance, evaluation and strategies will be perverted.

This Table proposes that GANs' primary concern is healthy harmonization between the sectors. The concept of "healthy" is defined by those participating, and GANs' over-arching goals of creating sustainability of the systems and the environmental one, in which they are embedded. "Sustainability" certainly does not mean a static state, nor does it have a homogenous implication. True sustainability involves resilience and ability to adapt to, and create, positive changing environments. It means responding to diverse cultural qualities and contextual factors. Moreover, sustainability and system harmonization mean successful outcomes for the different temporal frameworks of the three sectors.

GANs' power derives from their ability to take leaderful action[1](Raelin 2003)with the particular issue they are working on. Whether or not they have formal "membership", their legitimacy and power derives from their reputation of participation to reach their objectives. They do not have the rule-enforcement power of governments, although they actively promote standards; they do not have financial resources of a scale to induce action, but usually have an important role in financially seeding action; and they focus on integration of the distinct concerns of the systems of Table 1, rather than the interests of any one.

The Global Compact as a GAN

The GC is a strategy to address critical global challenges and realize global public goods. It combines global and local strategies with diverse stakeholders. It is often described as a "public-private" initiative addressing a wide range of issues including health, security, poverty and the environment. How can this type of innovation be understood, to realize its full potential?

Table 1 presents one way to describe GANs. However, perhaps the most useful way to describe GANs is by their strategy. Think of GANs as combining a distinct array of strategic characteristics that collectively describe the "GAN strategy". For the UNGC this is particularly appropriate, given its mission as a "strategic policy initiative."

> **Box 2: The UNGC's Mission**
>
> The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Describing GANs' generic strategic characteristics successfully requires being both parsimonious and comprehensive. Going into too much detail will produce an overwhelming list; insufficient detail will produce a list that misses a critical characteristic. After over 10 years of working with GANs, seven distinct strategic characteristics are presented to define them. These seven definitional characteristics are summarized in Table 2 with questions to explain the capacity the characteristic aims to support.

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[1] "Leadership" is GANs is very different from traditional organizations. It emphasizes stewarding, nurturing, growing and supporting widespread action, rather than being a highly visible entity/individual that is announcing the way forward in a top-down fashion. This reflects the concept Raelin has described in his book *Leaderful Organizations.*

Of course, any one "GAN" such as the UNGC reflects the characteristics "more or less" – a mature GAN does not arise overnight! Given the complexity of the issues that GANs are working on, the scale of the work, and the early stage of development of GANs as a distinct organizational type, the "archetype" is still emerging. Legal structures do not yet reflect the needs of GANs, which make do by taking the form of inter-governmental organizations or NGOs. The former allows GANs to act more in accord with their global nature; the latter allows flexibility in developing accountability structures within a non-profit framework. However, we still have to invent the legal form to support their full development.

Collectively the characteristics represent an action strategy that forms the basis for understanding what a GAN potentially can and cannot do well. Therefore, looking at the Compact through each of these seven definitional characteristics defines what should be expected of it, how to assess it, and how to guide its development.

Table 2: The Seven GAN Strategic Characteristics and Illustrative Questions[2]
1. Voluntary leader: Is the network "leaderful"? Is there a forward-tipping dimension to continually push frontiers? Is there renewal?
2. Entrepreneurial action innovators: Is there robust activity throughout the network? Are people "inventing" new approaches and taking advantage of new opportunities?
3. Systemic change agent: Is the focus on incremental change? Reform? Transformation?...short-term, long-term? How explicit? Are people increasingly empowered?
4. Global and multi-level: Are local-to-global appropriately connected and exchanging? Do the geographic foci within "global" make sense?
5. Diversity-embracing: Are the issue stakeholders sufficiently engaged? Is there a culture of "respect" and mutual understanding?
6. Interorganizational network: Are organizations realizing value? Are the necessary sub-global and sub-big issue organizations involved to realize the goals?
7. Public goods producers: Are the "benefits" of the network distributed? Is there a "greater good" driving ideal?

Characteristic 1: Voluntary leader

To realize their ambitious missions, GANs must be collections of those who are truly engaged in realizing their visions of a much better future. They must be spaces where organizations and people with resources and talent can productively work together for a shared vision that involves systemic change (Characteristic 3). GANs must be careful not to become trade associations, which are agents of the status quo and particular stakeholder interests; they must not be seen as regulators who are outsiders enforcing rules on others. Both of those types of organizations play important and valuable roles, but they are not GANs.

A core tension for GANs is between their need to be led by those who truly are systemic change drivers, and the need to engage a large number of participants in a system to realize the tipping point. This is part of the challenge facing the UNGC: how to think about its growth trajectory, when there are no experiences of global change for reference. Currently the UNGC aims for 20,000 participants by 2020. It already has over 6,000, so the 2020 goal

[2] Source: Waddell, S. May 2011. A New Approach to Multi-Stakeholder Network Assessment.*http://networkingaction.net/2011/05/a-new-approach-to-multi-stakeholder-network-assessment/*

might not seem like a lot. Quality is also critical...but is 20,000 enough to realize a tipping point? The UNGC and other GANs, being a new organizational form, have only their own experiences individually and as a community of GANs to reflect on. This again emphasizes the importance of having a disciplined action learning strategy.

Characteristic 2: Entrepreneurial action learner

GANs cultivate and support action in all parts of the system that they are working to change as described in Characteristic 3. They do not depend on a hierarchy of approval, which stifles voluntary leadership. However, successful GANs also emphasize discipline and harvesting of lessons to share more broadly and build collective capacity.

This characteristic is particularly important because their challenges, such as integrating the UN Principles into business practice, are *complex* challenges. The adjective *complex* means something quite specific as David Snowden has described with great clarity. (Snowden 2005) It is distinguished from a *simple* issue where cause and effect are linear, quite closely related, and well-defined. For example, filling holes in a street is something that requires very limited and easily defined actions that can be handled within a municipal government department. *Complex* is also distinguished from *complicated,* which refers to an issue that again is relatively definable, but requires a much larger number of interactions over a longer time period. A classic example is sending a person to the moon: this requires engaging a large number of organizations and people, but the science and implementation involve quite definable physical challenges.

Complex refers to situations where the answer is not known and is typically very difficult to define because it involves many changing contextual variables and a large number of organizations and people. What integration of the UN Principles into business operations actually looks like is something to explore and continually develop; there is no necessary "end-point" as with getting a person on the moon. As organizational and physical technologies change and as knowledge grows, the possibilities will grow. And differences in contextual factors such as markets, cultures, industries, and firm size all give rise to different possibilities. Of course in such situation there is no "one preferred" possibility at the operational level, but a range of possibilities that involve different trade-offs.

The UNGC's underlying ideas are relevant to a range of audience and are designed to adapt to changing international contexts. Like other GANs, if it does not address the multi-layered complexities, it will not be able to cultivate and support action in all parts of the system.

In this situation, action learning is particularly important. This means trying out different options – experimenting – and ensuring there is a good learning process to document, embed and build on the knowledge as it develops.

These situations also require an approach of planting many seeds and nurturing their development, rather than promoting one or two big solutions as "the answer". The latter will produce results that might be inappropriate in other contexts, or quickly be by-passed

by new developments. The other strategic characteristics of voluntary leadership and inter-organizational structure are particularly important for this characteristic to thrive.

Characteristic 3: Systemic change agent

GANs are not status quo organizations. Nor are they about simply documenting and disseminating what exists as current ways of acting. They are about the most difficult of change strategies: systemic change. For the UNGC this means shifting individuals' behaviors and understanding of what's possible; shifting production processes of goods and services production; changing organizations to integrate diverse stakeholders' needs; and also working on the operating environment of markets and regulations and financial opportunities.

Table 3 presents change as being of three types. Many, many organizations are involved with *incremental* change, often referred to as "scaling up". That refers to the goal of doing more of what is already being done. The *reform* mode of change is also not unusual, although less frequent. Often it is associated with legislation, since it involves changing the rules of the game. The most difficult type of change is *transformation*. This involves fundamental questioning about how we think about issues and uncovering assumptions that are often never articulated. In contrast to the mediating and negotiating processes of the other types of change, transformation is a revisioning process of how people in society can be together, given the scale of challenge or opportunity that we are facing.

Table 3: Types of Change (Adapted from (Waddell 2005) p. 97)		
Type of Change	Incremental	Reform	Transformation
Core Question	How can we do more of the same? Are we doing things right?	What rules shall we create? What are my mental models & assumptions?	How do I make sense of this? What is the purpose? How do we know what is best?
Purpose	To improve performance	To understand and change the system and its parts	To innovate and create previously unimagined possibilities
Power and relation-ships	Confirms existing rules. Preserves the established power structure and relationships among actors in the system	Opens rules to revision. Suspends established power relationships; promotes authentic interactions; creates a space for genuine reform of the system	Opens issue to creation of new ways of thinking and action. Promotes transformation of relationships with whole-system awareness and identity; promotes examining deep structures that sustain the system

One reason transformation is so difficult is because it involves shifts in power, usually accomplished by some parties "losing" power to others in terms of the traditional way of thinking about power, and reconceptualizing power in a new vision and set of goals. This is certainly true with integration of the Principles into business practices: it inherently suggests that different stakeholders' concerns have to be integrated into the way business functions. It requires fundamentally reconceptualizing the role of business to create a new business model. This is the *transcendent* aspect of GANs' work: encompassing concerns with an innovative higher level way of interacting.

Systemic change involves all three of these forms of change, and GANs' role is to steward the development of the change. In the case of the UNGC as with many GANs, the challenge is not necessarily presented as a transformational one, since that appears so big and complicated that most would not participate in such an initiative. Rather, the trick is to be able to have participants experience the transformation as incremental change over the decades that are required to realize the peaceful type of transformation that GANs advocate.

In such change processes the very concept of "ownership" is redefined. However, participants must feel that they are "co-owners" of the process if it is to be successful. They must feel the goals are *their* goals, or they will not devote the energy necessary to realize them. This raises a very important question about "whose Principles are the *UN* Principles"? If UNGC participants do not *own* the Principles as theirs, they will not be full participants. If the UNGC is simply an *agent* of the UN-as-a-political-organization promoting *UN* Principles, its own legitimacy will erode – participants simply will not be able to feel that the future vision is one that *they* collectively (including, but not only, the UN) hold. However, if the Principles are well-defined, they articulate principles that the vast majority of people hold and feel they own.

Characteristic 4: Global and multi-level (Glocal)

GANs arise at a time when the traditional geographic action frameworks are being overwhelmed by the globalization of issues. Issues cross political jurisdictions, continents, cultures, markets, watersheds and other traditional boundaries for addressing them. Traditional structures established to cross one or two of these boundaries cannot address the need to cross them all. For example, the nation state-based model of the UN system is *inter-national* and designed specifically to cross national boundaries. There are significant different assumptions behind the concepts of international and global. The distinct assumptions increase with the concept of *glocal* where the multiple action levels (local, national, regional, global) and sectoral geographic action frames (nations, markets, interest communities) come together. In *Critical Choices,* these were described as challenges of vertical and horizontal integration.

GANs like the UNGC aim to develop strategies that work at all these levels and frames, since a basic assumption is that all of them are legitimate and that the complexity of the issues GANs are addressing require comprehensive action. This is one reason that the range and variety of structures that the UNGC has developed can be confusing even to people familiar with it. There are city and local networks organized by geography and political divisions,

Compact local networks. The Roundtable provides a space for business participants and other stakeholders to discuss challenges in embedding the UN Global Compact in Northeast Asia and to identify areas for join action to mainstream corporate sustainability in the region. Further, the Roundtable aims to strengthen the relationship between business executives and other stakeholders interested in corporate sustainability issues.

working groups organized by Principles and one (supply chain management) organized to cross production boundaries, issue platforms – on water, climate, and women's empowerment – reflect the need to cross a complex array of different organizing boundaries.

Within this structure, one level is not superior to the other: the global, regional, national and firm-level actions are simply working on different aspects of the problem. A broader geographic level is not "in charge" of a narrower sub-level – they interact as peers. However, given the business-focused nature of the UNGC, firms, markets and supply chains have particularly important roles.

Characteristic 5: Diversity embracing

GANs are formed because traditional organization's attempts to address pernicious issues are inadequate or outright unsuccessful. The complexity of their issues and the diversity of resources and skills required to address them are beyond the ability of traditional strategies. Moreover, the traditional business-government-civil society divisions require integrating to be able to address the issues effectively – GANs are a *collaborative* enterprise.

Box 6: Bringing Together Diversity

To assist companies in implementing business practices in conflict-affected and high-risk areas that are consistent with the Compact's ten principles, UNGC participants have produced *The Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors*. Building on the launch of the Guidance, the Global Compact and the Principles for Responsible Investment (PRI) established a pilot group of about 10 companies and investors willing to actively implement the Guidance and report on lessons learned. The aim of the pilot project is to develop a better understanding of what the Guidance means in practical terms across different operating environments and how companies from different sectors can best implement them. The pilot group is expected to report participants' implementation efforts in their upcoming communication on progress to the UN Global Compact.

This is obvious with the issue of integrating UN principles into business operations. The Principles themselves come from the UN as a government sector, and the goal is to bring alignment between them and business sector action. This is often likened to developing corporate sustainability as an operating imperative for companies. However, one company on its own only can make a very modest effort to integrate the Principles in the face of broader market resistance and without societal and consumer support. In effect, the UNGC must bring together all those who are stakeholders in business in the broadest sense.

The fundamental relationship basis between these stakeholders in GANs is *mutual respect,* as identified in Table 1. It is not simply a question of "tolerance"; rather, there is a commitment to "embrace" difference. GANs operate with a culture grounded in the belief that issue stakeholders all have a legitimate view, and that view has an important role in developing the innovations that are necessary for transformational change. That type of change is propagated in operating environments where paradox can be held and transcended to create a future that no one could imagine before embracing. This is the essential driving force of the social innovations that GANs develop. For example, the UNGC

has created spaces for business, governments and other stakeholders to investigate the role of business in conflict zones. This is a social innovation on its own, which has produced other innovations as businesses adjust the way they work to help avoid or resolve conflicts.

Of course, creating a diversity-embracing and respectful space requires trust and a perception by participants that neither is something being done *to* them, nor that they are doing something *for* someone. Rather, it requires an understanding that we are doing something *together for us.* This raises important issues of power and control. The UNGC has managed this in part by presenting itself as a business-led initiative with the UN as a major participant as well as other stakeholders. Maintaining an ethic of mutual respect, trust, and embracing of diversity raises particularly delicate issues for the UNGC to manage: it cannot be seen as a UN- or business-controlled initiative, or one of those parties and other stakeholders will not take the degree of responsibility necessary for the UNGC to be successful.

Characteristic 6: Inter-organizational network

Networks come in many forms. Organizations are a particular kind of network: they have a hierarchical (vertical) control structure that is legitimized through legal incorporation. GANs are a very particular kind of network: inter-organizational. In their mature stage, they connect a very large number of organizations, with multiple hubs. Table 4 presents definitions for network types that are particularly important for GANs.

Table 4: Types of Networks					
(Adapted from (Waddell 2005) p. 97)					
	Inter-Personal	**Organization**	**Inter-Organizational Partnership**	**Inter-Organizational Network**	**System**
Legally Distinct Entities	Many	One	Small to Modest	Very large	All stakeholders
Organizing Structure	Informal	Hierarchical	Spoke and wheel	Multi-hub	Diffuse
Organizing Logic	Personal	Administering/ Managing	Coordination	Coherence	Diverse self-direction
Operating Focus	Relation-ships	Organization	Task	System	Definitional
Participation	Open	Closed	Highly controlled	Loosely controlled	External

A confusing aspect of GANs is that they are inter-organizational networks comprised of many inter-organizational partnerships. These partnerships are modest numbers of the network's participants working together around a specific task. Sometimes these are organized by geography, such as with Jamshed – an Indian city participating in the Global Compact's Cities Programme. In Jamshed there are specific tasks that organizations are working in partnership (see box). Through the partnership, they coordinate their resources and activities to achieve specific tasks.

The city of Jamshed is a signatory to the Global Compact cities programme, a specialized platform dedicated to the promotion and adoption of the Global Compact principles by cities. As part of their commitments, the city of Jamshed launched Basti Water Project, in an effort to provide access to water facilities to 50,000 households in the city. Jamshedpur Utilities and Services Company Limited (JUSCO), a Tata Enterprise, has lead the project implementation and has developed strong working relationships with the community committees that represent the residents of Jamshedpur.

One role of the whole inter-organizational network of the GAN is to ensure coherence of the diverse tasks that the partnerships are undertaking. It is important to know that the Milwaukee water project is advancing aspects of the UNGC's mission and that the participants feel committed to the UNGC mission. This does not mean that the UNGC has to "approve" individual projects – that would be a burdensome task that would block entrepreneurial energy. Rather, the UNGC has to create expectations and support interactions within the network to ensure the whole network is moving in the direction of the mission.

Ensuring coherence means creating "interventions" and stimulating certain activities within the network. For example, the UNGC created the Leaders Summits to engage the CEOs of participating companies on a regular basis.

All of the activities of the UNGC as an inter-organizational network aim to influence the broader system of business and society. It is good and necessary that the participants of the UNGC are advancing its mission, but the end goal is change in the "normal" business model so that it integrates the Principles.

GANs operate with a tipping point (Gladwell 2002; Gladwell 2010) theory of change: when sufficient number of organizations begin adopting a business model that integrates the Principles, it will become the "normal" business model and others will adopt it without even realizing how it was developed. For the UNGC, the particular challenge is to manage its growth to get to the tipping point. If it emphasizes too rapid of growth, organizations will participate for benefits not associated with the mission and dilute the UNGC's intention. If the UNGC does not grow, it will simply be an odd interesting initiative that does not really have system impact.

One last network aspect to explain: those working full-time with the UNGC will experience it as an "organization". The UNGC Office (GCO) and many of its local networks have a hierarchy with a leader staff report to, and who is responsible for managing the unit. Therefore, GANs are organizations and partnerships, as well as inter-organizational networks.

Characteristic 7: Global public goods producer

In economists' jargon, public goods are those that share the quality of non-excludability and non-rivalry. That means that when the good is available to one party, it is available to all, and that the consumption of the good by one party does not reduce its availability to others. "Air" is a classic example. GANs are in the business of developing these types of goods.

For GANs public goods are associated with the development of social and production systems. From this perspective, the UNGC is in the business of developing a new business model to the point where it is the "normal" business model. This will include the structures and values necessary for it to flourish. This new model will be something available for

everyone to use – in fact, they will not even think about whether to use it, since it will be considered so obvious.

This new model will be supportive of the Principles. It will continually influence the world to become more supportive of the role of workers, of human rights, of sustainable environmental practice and corruption-free. The model will take the best of the UN and make it part of people's daily experience.

The Global Compact as a UN Change Agent

Amongst the UN family of organizations, the UNGC stands out as a GAN. However, the UN family includes other GANs. The World Health Organization has had leadership in the development of the Global Fund to Fight AIDS, the Global Alliance for Improved Nutrition, the Global Alliance for Vaccines and Immunization and the Stop TB Partnership; the Food and Agriculture Organization has supported development of the International Land Coalition and the Committee on World Food Security; the UNEP has developed a Finance Initiative that, together with the UNGC, developed the UN Principles for Responsible Investment as a GAN. There are also emerging UN initiatives, such as ones in the peace and security arena, that also share core GAN strategic characteristics. Whether they will develop to the status of a GAN, is a matter of strategic choice.

As GANs, these entities have a distinctive change agent role. This does not suggest that they are "better" than traditional implementing agencies – both the UNGC and traditional implementing agencies are critical to give life of the UN Principles. The GC working with them produces more powerful ways to realize their shared goals. However, to realize their joint potential and develop productive roles requires understanding the core *logics* behind GANs. By "logic" is meant the usually unwritten assumptions that are the basis for developing an organizational structure and taking action; logics are dimensions of the mental model (Senge 1990; Doyleand Ford 1998) behind the entities.

Table 5: Core UNGC Logics	
Control dynamic	Shared
Leadership style	Stewarding
Ownership dynamic	Business led multi-stakeholder
Locus of control	Participants
Formality	Semi-formal
Action	Emerging
Core activity	Action learning
Assessment reference	Issue domain change

It is very common for an individual who has not experienced working in one type of organization to apply inappropriate assumptions to it. Often, for example, we hear that "government must act more like a business". Of course government can adapt some tools of business, but pressure to make government adopt core business logics will produce confusion and contradictory actions that will fail and, if taken repetitively, severely debilitate a governmental organization.

Key distinctive logics of the UNGC are summarized in Table 4. The **Control Dynamic** of the UNGC may be described as "shared". Different parts have their distinct roles, but success depends on mutual accountability amongst them. If one part or group becomes significantly more powerful than another, participants will leave and the powerful victors will have a hollow shell.

The UNCG reflects the dispersed, multi-centric quality of a mature inter-organizational network strategy. The GCO deals with global activities such as branding, integrity measures, issue advocacy and leadership, and relationships with UN-member states. The GCO provides a global coordinating and communications function with other UNGC nodes that creates the shared inter-organizational partnership dynamic.

Local networks are self-governing and make independent decisions about staffing and priorities. From a loose coalition of single entities, local networks are evolving into an inter-networking group that forms an important pillar of the UNGC governance framework that comes together in an Annual Local Networks Forum. Networks are expected to meet a minimum set of criteria (e.g. annual reporting of activities), which have been developed over time and through consensus, and thus regularly liaise with other governance entities such as the GCO. Thus, the GCO and local networks have specialized, interdependent roles – they do not exist within a hierarchy, but with mutual accountability.

A contrasting control dynamic is indicated by a centralized control structure, such as with regional offices. There may be local advisory groups, but a central office has final say in such things as resource allocation and hiring of staff.

The UNGC **leadership style** is to guide, nurture, encourage, and sometimes cajole. This can be summarized as "stewarding". (Block 1993) Leadership works with both volunteer companies and volunteer individuals from them, who must feel inspired to implement the principles for the UNGC to be successful. Both the companies and volunteers can quite easily exit, since the UNGC has no significant sticks for retaining them. It is important to provide an "entrepreneurial space" for the volunteers to realize their goals, or they will leave. This is why soft inducements such as recognition and provision of opportunities for innovation and following passions are so important for GANs. GAN leaders sense and embody the highest aspirations of those they are working with, to support aspirations and legitimize ideals.

This contrasts with logics where leadership can optionally include as directing, commanding, managing and declaring from "commanding heights". The shared responsibility and accountability logic makes these leadership approaches impossible.

In terms of **ownership,** the UNGC is a business-led multi-stakeholder entity. Its focus on business transformation gives business a key role – it would be meaningless without strong business involvement. However, as the initiating organization and sponsor, the UN also has a privileged position. And since the very logic of the emerging new business model is multi-stakeholder, the UNGC also emphasizes the importance of meaningful engagement of civil society as well (this is an expectation for local networks).

Thus, the UNGC as a whole reflects implementation of series of consecutive General Assembly resolutions entitled "Towards Global Partnerships" (latest 2009: A/RES/64/223) that has recognized the vital role of theGlobal Compact Office in strategically developing the capacity of the United Nations to collaborate. Implementing this as a core logic means thatthe UNGC's existence depends upon its ability to produce results that are valued for all its participants: business, government and civil society.

On the other hand, ownership by governments with the modern state is associated with citizens; key ownership of businesses is usually associated with financial investors; ownership of civil society and collaborative organizations is usually associated with "members".

These contrasting ownership logics are tied to logic of an entities' **locus of control**: citizens for governments, investors for businesses, members for civil society and collaborative organizations. GANs' locus of control can be particularly confusing for outsiders who view them from traditional ownership and accountability perspectives, since GANs operate with a shared control dynamic. However, GANS are driven by the internal energy of their *participants* who are their voluntary leaders (both organizations and their individuals) committed to a GAN's aspirations.

GANs have a wide variety of formal structures to define control, but these should be thought of as mechanisms to address traditional legal demands and provide leadership for the global-level activities. In the end, a GAN has nothing but its reputation and mission as its core assets. Without its reputation and mission, a GAN looses its legitimacy and capacity to inspire people to participate. Participants leave and the GAN can do nothing.

Ownership for the UNGC rests with the UN and its member states. Continued governmental support has been instrumental in ensuring the continued experiment / implementation of the UN Global Compact ideals within the UN system. The General Assembly provides the initiative's biennial license to operate and overall supervision. The Secretary-General is Chair of the Global Compact Board, and the Global Compact Office Executive Director reports to his office. Global Compact Office staff are international civil servants bound by UN rules and regulations. The Global Compact Board, drawn from participants and stakeholders, provides advice and oversees implementation of the initiative's integrity measures, which include entry and exit criteria for participants. To remain relevant and realize its mission, the UNGC must attract and retain a large number of high quality volunteer participants who have many options for allocating their time.

Table 6 attempts to distinguish between critical roles for GANs and the UNGC in particular, in order to better distinguish the power dynamics. A "citizen" in this case is borrowed from the nation-state lexicon, likening them to someone who has the right to become involved.

Table 6: Roles in GANs and the UNGC			
Citizen	**Participant**	**(Technical) Owner**	**Customer**
Who is seen as a potential participant?	Who is active in realizing the goals?	Who makes the decisions/has formal authority?	Who is paying for the work?
All organizations committing to the UNGC Mission.	Organizations that have committed to the UNGC Mission.	UN and its member states	Member states; Business through the GC Foundation

The UNGC must be attractive to transform citizens into participants.

Noticeably absent in the Table is the term "member", although it is used with many different meanings in the GAN world. It is absent because it is usually associated with some formal voting rights in the non-GAN world. The point for GANs is that informal participant control is the operating reality. If UNGC participants do not strive to make continuous

improvement in implementing the Global Compact principles, the UNGC will be rendered impotent as volunteer participant energy fades.

Another major point of distinction in GANs' operating logic is the degree of **formality**. By formality is meant the number of rules, procedures and approval levels. The UNGC is unusual among GANs because it has greater formality than most: all UN rules and regulations apply to its GCO operations. Usually GANs are started as an innovative space where most rules and procedures of the initiating organization are suspended in order to develop new strategies to realize the initiating organization's mission. But even the UNGC is semi-formal in comparison to UN bodies when it is considered as a whole network. Local networks, for example, have much greater flexibility in how they develop than the local office of a UN agency. And it has had to "invent" a way of financing that can include private sector support, through its Foundation.

This operating style is critical to support the "emerging" **action logic** behind the UNGC. Like other GANs, the UNGC is addressing a transformational challenge. How to get there, given it is a complex issue, is not clear. This means that traditional linear planning processes with in-put out-put models cannot provide an over-arching framework. There is no ultimate end state with the mission of integrating the UN principles into business practice – it is a development process.

Otto Scharmer writes about "the future possibility that is wanting to emerge". (Scharmer 2009) The work of the UNGC is to listen very closely for the future possibilities, providing support for the visions of their participants that are moving in the direction of the UNGC mission, and to support the many different paths and activities that can help realize a future that reflects the UNGC mission. In this line of work, there is no central plan. There is simply a system represented by the UNGC activities to help move the world in a particular direction.

Critical is creating a system that attracts the "right" people and can support actions moving in the "right" direction. The UNGC aims to ensure that it has the right people and organizations engaged who understand and are committed to its mission, and then give them room to take action. This comes with risks that the UNGC is becoming increasingly skilled and knowledgeable about managing. For example, this has led to delisting several thousand companies that did not fulfill their commitment to submit Communications on Progress. It is further "raising the bar" by creating three tiers of participants: learners, active and advanced.

The UNGC includes a wide range of activities and these have changed as it has moved through development stages. However, its over-arching **core activity** can be described as action learning. It provides supportive platforms for people and organizations to take action to push the boundaries of what they know about integrating the principles into corporate business models. This emphasizes the importance of drawing lessons and making connections to share them, to both disseminate them and encourage people to continue to push the boundaries of what is known.

In contrast, the core activity of business is production of goods and services; the core activity of government is provision of security and legal/policy frameworks.

So how do we assess whether the "emergence" is really happening, given the long-term, messy and complex nature of the UNGC's work? What is the **assessment logic**? For business, the assessment is relatively straight-forward with such things as market share

and return on investment validated through profits; for government the assessment is through such things as citizen health, security and employment, validated through elections. For GANs, assessment of success includes participation quantitatively and qualitatively, validated through change in an issue domain.

The UNGC's issue domain, as is typical for GANs, is immense: the interaction of business with society and the environment. The assessment logic involves understanding how the numbers and quality of participation are growing to enhance the interaction. The theory of change is a simple tipping point one: get enough organizations doing things differently, and the standards and expectations will change so that the principles are internalized by business. However, getting there requires a persistent, innovative and long-term effort.

Conclusions

The UN initiated the Global Compact as an innovative strategy to supplement its other implementing agencies' efforts to realize integration of its principles and its highest aspirations. This is the source of their collective power – one can do what the other cannot. They represent a powerful range of strategies. But realizing that power depends upon appreciation for, and understanding about, their distinctive qualities.

The distinctive qualities of GANs and UNGC in particular are still being defined and will continue to develop. As an organizational form, GANs are still juveniles whereas governments have long histories. The last century saw massive development of government capacity with the emergence of the welfare state. In the second half of the 19th century business experienced transformation to the railway world where time zones, speedy connections over long distances, the first information revolution, new financing tools, rapid economic growth and vast increase in business scale led to the multi-national corporation. In 1900, civil society was easily equated with labor and religious organizations; the 1950s-70s saw emergence of a whole new range organizing around human rights, environmental, development and other issues. GANs are undergoing a similar scale of development to increase our capacity to address critical issues and realize unimagined results. The UN is making an enormous contribution to the development of this organizational innovation through its support of the UNGC.

There are many challenges in realizing the UNGC's potential. Perhaps foremost is simple recognition of its distinctive qualities – without this, people will continually try to push it into a business, government or civil society box. Treating it as distinct has many implications. For example, traditional evaluation strategies appropriate for the other sectors should not be applied to GANs. Their systemic change through decentralized action and the seven characteristics requires further development of new, emerging evaluation strategies. As well, GANs and the UNGC require new ways of interacting, leading, decision-making and action-taking. This means the UNGC is an on-going experiment that must pay attention to its own development process with other GANs as comparators.

One of the top priorities for the UNGC is further development of local networks, which are essential to the future of the Global Compact: system-wide change requires transformative activities on the local level. Involving local actors in the governance framework allows integrating contextualized actions on the ground into a coherent framework for institutional change.

And another top priority is to continue to develop strategies for the way the UNGC works with others in the UN family. With increased understanding of their comparative strengths

and capacities, they will be able to work together to even more effectively develop a new business model and a world more broadly that reflects the UN Principles.

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